Winspear Business Reference Room University of Alberta 1-18 Business Building Edmonton, Alberta T6G 2R6



1989 ANNUAL REPORT



CORPORATE PROFILE

Savanna Resources Ltd. is a Calgary based mineral exploration company operating in Canada and the United States. Its portfolio of twelve mineral properties assembled in an aggressive program of exploration over the past ten years include two significant gold deposits and two base-metal-gold massive sulphide deposits one of which is the pre-feasibility stage.

1989 HIGHLIGHTS:

- o Preliminary mining feasibility study of the Turner Albright deposit completed by R. L. Russell Associates.
- o Joint venture agreement on the Turner Albright property signed with Aur Resources Inc.
- o First phase drilling program by Aur expands Main Lower Zone reserves.
- o Initial results from detailed metallurgical test work on Main Lower Zone mineralization indicate satisfactory recoveries of copper and gold are obtainable.

PRESIDENT'S REPORT

TO THE SHAREHOLDERS

During the past year we concentrated our efforts on advancing the Turner Albright copper-zinc-gold property towards a production decision. In December, 1988, R.L. Russell Associates completed a preliminary feasibility study of the project. Based on reasonable assumptions regarding ore reserves and metallurgical recoveries they concluded that mining should be profitable and recommended an immediate program of diamond drilling and further metallurgical test work.

After reviewing Russell's recommendations it appeared prudent to your management to attempt to attract an established mining company experienced in massive sulphides to provide additional expertise for this most critical phase of the Company's evolution.

Our efforts were successful and in June 1989 an agreement was reached with Aur Resources Inc. of Toronto. Under the joint venture option, Aur agreed to undertake a program of diamond drilling with the objective of expanding the known reserves and detailed metallurgical test work to confirm metal recoveries. This work was commenced subsequent to the year end. The first phase of drilling has been completed, resulting in a substantial increase in the Main Lower Zone reserves with above average gold values.

Aur's metallurgical test work is continuing but initial results are very encouraging, particularly in the Main Lower Zone mineralization. It would appear that modern metallurgical technology can overcome what was previously thought a major obstacle to the economic exploitation of the deposit. Aur has the right to earn a 51% interest in the property.

Ownership of the Turner Albright property is currently shared between Savanna, with a 75% interest, and American Chromium Limited, with a 25% interest. In the interests of efficiency it appeared to management of both companies that these property interests should be combined. Consequently, subsequent to the year end our directors made an exempt take-over bid to several major shareholders of American Chromium Limited. The bid was accepted and 10,000,000 shares of American Chromium were tendered in exchange for 4,000,000 common shares of Savanna. Savanna now owns 80% of the voting shares of American Chromium Limited and 63% of the total equity. We shall be making a follow up offer on the same terms to the minority shareholders in American Chromium Limited before the end of 1989.

The second year of our gold exploration program in the Snowbird Lake area, N.W.T. was completed subsequent to the year end adding several additional gold mineralized zones to those found last year. In the Courageous Lake area Highwood Resources relinquished their option on our Jax property. Bow Valley Industries did not conduct a program in 1989.

During the past year, our programs were funded by flow-through financing of our subsidiary, Courageous Exploration Inc. and by private placements of common shares.

ON BEHALF OF THE BOARD
"John M. Alston"
President

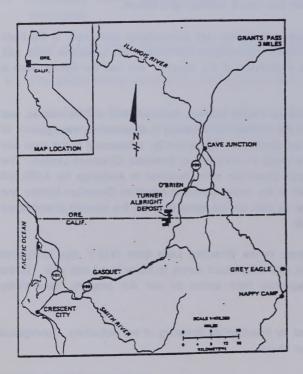


MINERAL EXPLORATION

The Company maintains an active program in California and Oregon exploring for massive sulphide deposits. Properties with significant reserves include the Turner Albright and Island Mountain polymetallic deposits. The company also is actively exploring for gold in the Northwest Territories, British Columbia and Nevada.

Turner Albright, Josephine County, Oregon

The Company holds a 75% interest in the Turner Albright property, situated just north of the Oregon-California state line, two miles west of U.S. Highway 199 near O'Brien, Oregon. Some 340 acres of fee lands containing the main showing are situated in Josephine County, Oregon. Additional claims have been staked in Oregon and adjoining Del Norte County, California.



Data obtained from 81,000 feet of diamond drilling in 68 holes, detailed assaying of the mineralized zones, deep probing surface and down hole pulse EM surveys, have established drill indicated reserves of about 3,600,000 tons grading 1.46% copper, 3.33% zinc, 0.44 oz/ton silver and 0.11 oz/ton gold. This reserve occurs within a sulphide mass totalling some 15,000,000 tons.

The drilled mineralization extends from the surface (as gossan) to below 1300 feet.

The Turner Albright is classified as a modified Cyprus type massive sulphide deposit. The deposit is hosted in Jurassic pillow basalts. The upper portion of the deposit is massive sulphide, the lower 2/3 of the deposit is a sulphide replacement and breccia filling of sea floor rubble. The maximum dimensions of the drilled reserves are 1000 feet long by 600 feet wide by 1300 feet deep. In cross section the deposit appears as three stacked, pod-like ore zones plunging steeply to the southeast.

The profitability of mining the Turner Albright deposit will be significantly effected by the scale of the operation and the efficiency of the metallurgical treatment of the ore in recovering the contained gold, silver, copper and zinc. In order to assess the necessary parameters we arranged for R.L. Russell Associates to undertake a preliminary feasibility study of the project. This study concluded that, assuming a modest increase in the reserves and reasonable metallurgical recoveries, mining should be profitable.

In June 1989, Aur Resources Inc. agreed to commence a program of diamond drilling and metallurgical test work in return for an option to December 1990 to earn a 51% interest in the property. The first phase drilling program, which was completed subsequent to the year end, increased the reserves by extending the Main Lower Zone downdip to the east. The grade of gold mineralization in the new holes is above average.

Detailed metallurgical test work is continuing but should be completed by the end of 1989. Initial indications are very encouraging.

Subsequent to the year end the Company increased its control of the Turner Albright property to 100% with the acquisition of a 63% interest in an affiliate company which owns 25% of the property. We plan to increase the Company's interest in the affiliate to 100% under a takeover offer to the minority shareholders.

To extend the option Aur Resources Inc. must purchase 1,000,000 shares of the Company for \$650,000 by December 31, 1989. The major earning program must be completed by the end of 1990.

MINERAL EXPLORATION

Glibert, Esmeralda County, Nevada

In October 1989 a significant wollastonite discovery was announced on claims adjoining the Company's gold properties near Tonopah, Nevada.

Leaching operations at the Maclean Mine, located near the ghost town of Gilbert, northwest of Tonopah, Nevada is continuing. This open pit mine, in which we hold a 5% net profits interest, was brought to production last year. Mining has been terminated as ore reserves have been exhausted. A joint venture agreement with Cyprus Gold to evaluate the surrounding 1800 acres of claims was completed in 1988. Cyprus did not exercise their option.

To the south of the Maclean Mine, Investors Equity holds a 760 acre block of adjoining claims known as the Gold and Silver Hill proeprty. Samples taken from trenches excavated on the Gold and Silver Hill property yielded gold assays as high as 0.47 oz/ton, with many in the 0.02 to 0.13 oz/ton range.

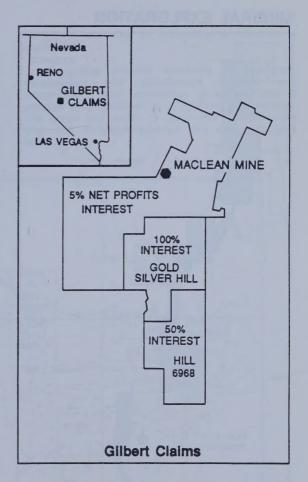
The geologically favourable trend extends across the Gold and Silver Hill property from north to south onto the 660 acre Hill 6968 property, adjoining to the south. Investors Equity have the right to earn a 50% interest in this property.

Discussions with potential joint venture partners are continuing.

Santa Rosa, Inyo County, California

The Company holds the mining rights to the 34 claim Santa Rosa property in Inyo County, California. The property includes the Santa Rosa Mine from which recorded production in excess of 80,000 tons grading 11.6 oz. per ton silver, 15.4% lead and 6.2% zinc was extracted from a series of steep parallel veins and latterly, from one major near-vertical ore shoot. The workings are open. At the bottom of the stope in the main shoot the mineralization was yielding 200 tons per vertical foot grading, based on the last five shipments, 21.9 oz/ton silver, 17.3% lead, 5.3% zinc. Experience obtained from nearby mines at Darwin and Cerro Gordo suggests this mineralization may continue for a further 1000' in depth.

Other mineralized zones encountered in the underground workings point to the presence of other vertical shoots previously ignored during the early mining on the dipping vein system. Underground diamond drilling will be required to confirm the extension to depth of the main mineralized shoot and to test the other targets.



Island Copper Mine, Trinity County, California

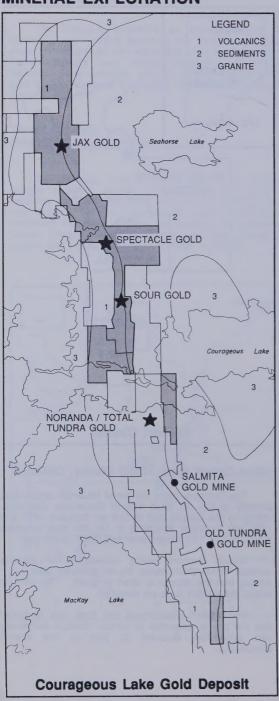
The Company owns the Island Mountain copper-gold property located 35 miles east of Garberville, California. Mining of this deposit was carried on between 1917 and 1930 with recorded shipments of 131,000 tons averaged 3.29% copper 1.09 oz/ton sliver and 0.065 oz/ton gold.

Recent diamond drilling intersected the massive sulphide mineralization below the old workings, demonstrating that the deposit is open to depth. The ultimate size of the deposit is as yet unknown.

Preliminary metallurgical test work has confirmed that the ore is amenable to normal flotation technology with acceptable recovery of gold in the copper concentrate.



MINERAL EXPLORATION



Courageous Lake Properties, N.W.T.

The Courageous Lake gold belt is the site of two former gold producers and numerous major new gold showings. In the 1960's the old Tundra gold mine was the world's most northerly. During the 1980's, Giant Yellowknife operated the very profitable Salmita Mine.

Courageous Exploration controls some 25 kilometers of the prospective greenstone contact zone along which the gold deposits occur.

On the Sour Lake lease block a 25 kilometer grid of IP surveys and 6500 meters of diamond drilling in 54 holes have identified two zones of gold mineralization. One is near the surface showing at Sour Lake where an intersection of one meter assayed 0.25 oz gold per ton. It is thought that the IP anomaly tested by this hole represents the source of the high grade samples recovered from a nearby mudboil.

The second gold occurrence is located some 6 kilometers further north near Spectacle Lakes. Surface samples in float near a 1.5 kilometer long IP anomaly assayed up to 0.28 oz. gold per ton. Two diamond drill holes drilled into the anomaly, intersected 3 meters and 2.5 meters grading 0.23 oz. gold per ton.

In the northernmost 10 kilometers of our holdings diamond drilling indicates the Jax deposit contains some 40,000 tons grading 0.40 oz. gold per ton with the best intersection returning 5.2 meters grading 0.49 oz. gold per ton. The deposit is open to depth and on strike. Geophysical surveys have provided a number of additional targets which remain to be tested.

Silver Basin, Trout Lake, B.C.

In the Trout Lake area high grade gold and silver values in polymetallic sulphide-rich pods occur in our Silver Basin property. Gold values ranged from 0.22 to 1.55 oz. per ton, with silver values up to 24.05 oz. per ton. An extensive, intense alteration zone provides a target of considerable potential. On the Free Coinage Crown Grant Surface exploration relocated the old workings from which high-grade silver values (up to 14.68 oz/ton) were recovered at the turn of the century.

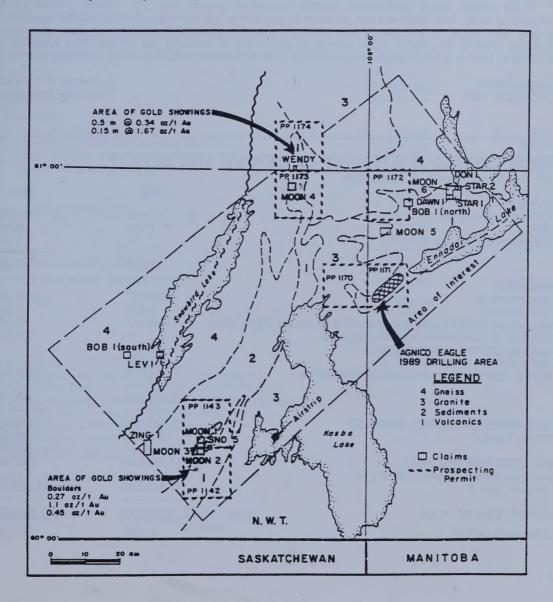
Snowbird Lake, N.W.T.

Courageous Exploration Inc. has completed two summers of what is expected to be a long term program of grass root exploration in the Snowbird Lake area, several hundred miles to the southeast of Courageous Lake.

We have optioned from Comaplex Minerals and Tempest Exploration some 40,000 hectares of prospecting permits and claims. Under the agreement Courageous may earn up to a 60%

interest in the play by expending \$1,100,000 in exploration.

Our initial program consisted of geological, geochemical and geophysical surveys and prospecting. Gold occurrences yielded a suite of samples which assayed up to 6.28 oz. gold per ton. The grade and mode of occurrance suggests the area has excellent potential for economic gold deposits.





AUDITORS' REPORT

TO THE SHAREHOLDERS SAVANNA RESOURCES LTD.

We have examined the consolidated balance sheet of Savanna Resources Ltd. as at 30 June 1989 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at 30 June 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for financing and administrative expenses as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Calgary, Alberta 7 September 1989 Dunwoody & Company Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME A FOR THE YEAR ENDED 30 JUNE 1989	ND DEFICIT	
TON THE TEAM ENDED SO SOME 1909	1989	1988
REVENUE		
Oil and gas royalties	\$ 17,632	\$ 20,388
Rental	7,354	6,405
Miscellaneous income		3,041
	24,986	29,834
EXPENSES		
Administrative	562,567	469,925
Depreciation	9,406	7,591
Loss of an affiliated company accounted for on the equity basis	426,927	76,451
Write-off of abandoned resource properties		299,549
Loss on disposal of investments	83,473	-
Write-down of investments	999,998	/ACC 707)
(Gain) loss on issue of shares by subsidiaries	23,615	(466,797)
	2,105,986	386,719
LOSS BEFORE MINORITY INTEREST	(2,081,000)	(356,885)
Minority interest	366,260	89,464
NET LOSS FOR THE YEAR	(1,714,740)	(267,421)
Deficit (as restated), beginning of year of year, note 3	(7,548,579)	(7,281,158)
DEFICIT, END OF YEAR	\$ (9,263,319)	\$(7,548,579)
LOSS PER SHARE	\$ (.08)	\$ (.01)

CONSOLIDATED BALANCE SHEET		
AS AT 30 JUNE 1989	1989	1988
ASSETS		
CURRENT		Part Unit (U.S.
Cash Accounts and advances receivable	\$ 800 32,760	\$ 348 36,437
	33,560	36,785
INVESTMENTS, note 4	844,393	2,354,857
FIXED ASSETS, notes 5	96,720	105,751
PETROLEUM AND NATURAL GAS PROPERTIES, note 6	28,797	28,797
MINERAL PROPERTIES AND DEFERRED COSTS, note 7, schedule	12,688,815	12,231,529
LIADUSTICO	\$13,692,285	\$14,757,719
LIABILITIES		
CURRENT Bank indebtedness, note 8	\$ 160,365	\$ 42,809
Accounts payable and accrued liabilities	359,017	243,393
Notes payable and accrued interest, note 9 Due to affiliated company, note 10	1,168,841 158,360	1,054,814 1,026,101
	1,846,583	2,367,117
MINORITY INTEREST	1,821,095	1,886,755
	3,667,678	4,253,872
SHAREHOLDERS' EQUITY		
SHARE CAPITAL, note 11	19,287,926	18,052,426
DEFICIT	(9,263,319)	(7,548,579)
	10,024,607	10,503,847
	\$13,692,285	\$14,757,719
NATURE OF OPERATIONS, note 1 SIGNIFICANT ACCOUNTING POLICIES, note 2 CHANGE IN THE METHOD OF ACCOUNTING FOR		-

CHANGE IN THE METHOD OF ACCOUNTING FOR FINANCING AND ADMINISTRATIVE EXPENSES, note 3 RELATED PARTY TRANSACTIONS, note 13 CONTINGENT LIABILITIES, note 14 COMMITMENT, note 15 SUBSEQUENT EVENT, note 16

Approved on behalf of the Board:

John M. Alston Director Jan M. Alston Director



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 1989

CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1989</u>	<u>1988</u>
Operations		
Net loss for the year	\$ (1,714,740)	\$ (267,421)
Items not involving cash		
Loss of an affiliated company accounted for on	406.007	70 454
the equity basis Minority interest	426,927 (366,260)	76,451 (89,464)
Miscellaneous	(000,200)	(2,940)
Depletion and depreciation	9,406	7,591
(Gain) loss on issue of shares by subsidiary	23,615	(466,797)
Write-off of abandoned resource properties Loss on disposal of investments	83,473	299,549
Write-down of investments	999,998	-
		0812090
Cash used by operations	(537,581)	(443,031)
Changes in non-cash working capital balances		
Accounts and advances receivable	3,677	(32,995)
Accounts payable and accrued liabilities	115,624	72,068
Notes payable and accrued interest Due to affiliated company	114,027	(321,242)
Current portion of long-term debt	(867,741)	773,146 (220,852)
Carron pointer or long term coot	(4.474.004)	
	(1,171,994)	(172,906)
FINANCING ACTIVITIES		
Deferred share issue costs	070.005	16,650
Increase in minority interest	276,985	1,294,144
Issue of share capital	1,235,500	90,000
	1,512,485	1,400,794
INVESTING ACTIVITIES		
Proceeds on disposital of investments	59,071	8,000
Acquisition of investments	(59,005)	(8,003)
Acquisition of fixed assets	(375)	
Acquisition of mineral properties, net	(457,286)	(1,221,713)
	(457,595)	(1,221,716)
INCREASE (DEODEASE) IN CASH	(117.104)	6.170
INCREASE (DECREASE) IN CASH Bank indebtedness, beginning of year	(117,104) (42,461)	6,172 (48,633)
Daint moostodnood, ooganiing or your		(10,000)
BANK INDEBTEDNESS, END OF YEAR	\$ (159,565)	\$ (42,461)
Represented by		W.
Cash	\$ 800	\$ 348
Bank indebtedness	(160,365)	(42,809)
	\$ (159,565)	\$ (42,461)

30 JUNE 1989

1. NATURE OF OPERATIONS

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries as follows:

Baretta Mining, Inc. (95.8% owned) Courageous Exploration Inc. (46.7% owned) Investors Equity Inc. (64.6% owned) Island Copper Company (100% owned)

(b) Depreciation

Depreciation is computed on a straight-line method, based on the estimated useful lives of individual assets ranging from three to ten years.

(c) Petroleum and natural gas properties

The Company follows the full cost method of accounting for each major area of interest wherein all costs relative to the exploration for and development of oil, gas and related reserves, including related overhead, are capitalized. Gains or losses upon sale or disposition of properties are only recognized when a major area of interest is disposed of or when the proceeds on sale of a partial interest in a major area exceeds the net costs accumulated in the cost pool.

The provision for depletion is computed under the unit-of-production method based on the estimated proven oil and gas reserves of the Company as determined by the Company and substantiated periodically by independent professional engineers.

(d) Mineral properties and deferred costs

The Company follows the full cost method of accounting wherein all costs relative to acquiring, exploring and developing mineral properties are capitalized. The proceeds received for a partial disposition are credited against the costs. Until the properties are abandoned, sold or placed on production, no gain or loss is recognized. The net cost of properties surrendered, abandoned or sold are written off in the year of surrender. The net costs of the remaining properties will be depleted using a composite unit-of-production method based on the total estimated recoverable reserves on commencement of production by the Company.

(e) Foreign exchange

Foreign currencies have been translated to Canadian dollars as follows: revenue, costs and expenses at the average rates of exchange during the year, non-monetary assets and liabilities at the rates in effect at dates of the transactions, and monetary assets and liabilities at rates in effect at the end of the year.

3. CHANGE IN THE METHOD OF ACCOUNTING FOR FINANCING AN ADMINISTRATIVE EXPENSES

The Company has changed its method of accounting for financing and administrative expenses from a deferral of these expenses to a practice of expensing these amounts in the period incurred. This change reflects the recent guidelines advocated by the Canadian Institute of Chartered Accountants. Such expenses are required to maintain the Company and allow it to be in a position to carry on its other activities.

Accordingly, the Company has retroactively reflected all financing and administrative expenses as a charge to income in the year incurred. The effect of this change has been to increase the deficit as at 1 July 1987 by \$1,794,926, decrease the 1988 net loss by \$331,991, and decrease the 1988 loss per share by \$.02.



4. INVESTMENTS

American Chromium Limited	1989	1988
10,410,726 (1988 - 9,820,709) Class "A" voting shares (Market value 1989 - \$1,249,000; 1988 - \$982,000) Class "B" non-voting shares	\$844,391 	\$1,203,843 151,014
Northcor Energy Ltd. 606,000 Class "A" common shares	<u>2</u> \$844.393	1,000,000 \$2,354,857

The Company's investment in American Chromium Limited is carried in the accounts on the equity basis. At 30 June 1989 the Company owns 42% of the outstanding Class A shares. American Chromium Limited has a deficit of \$9.881,000 at 30 June 1989.

The Company's investment in Northcor Energy Ltd. has been written down in the accounts to a nominal value.

5. FIXED ASSETS

		1989	1	988
	Costs	Accumulated Depreciation	<u>Costs</u>	Accumulated Depreciation
Land Buildings Equipment and furniture	81,193 69,685 48,203	57,490 44,871	81,193 69,685 47,828	50,521 42, 434
	199,081	102,361	198,706	92,955
Costs less accumulated depreciation	\$ 9	96,720	\$ <u>1</u>	05,751

6. PETROLEUM AND NATURAL GAS PROPERTIES

	1989		1988	
	Costs	Accumulated Depletion	Costs	Accumulated Depletion
Petroleum and natural gas properties	\$ <u>53,994</u>	\$ <u>25,197</u>	\$ <u>53,994</u>	\$ <u>25.197</u>
Cost less accumulated depletion	\$ <u>28</u>	<u>,797</u>	\$ 2	28,797

7. MINERAL PROPERTIES AND DEFERRED COSTS

(a) Courageous Lake

The Company owns 100% of five blocks of mineral claims and mining leases in the Courageous Lake Area of the District of Mackenzie, N.W.T.

A portion of these claims and leases are subject to an option whereby Bow Valley Industries Ltd. can acquire a 60% interest by making the following payments and expenditures:

On or Before	Cash Payments	Cumulative Expenditures
30 April 1990 30 April 1991	\$100,000	\$1,500,000 \$2,500,000

These funds have been assigned to the payment of the bank debt of the related company, American Chromium Limited. See note 14(b).

30 JUNE 1989

7. MINERAL PROPERTIES AND DEFERRED COSTS - (CONTINUED)

(b) Silver Basin

The Company owns 100% of five claim blocks and two Crown grants in the Trout Lake Area of British Columbia.

(c) Turner Albright Property

The Company holds a 75% ownership interest in the fee lands, containing the sulphide deposit, and a 75% ownership interest in the claims surrounding the fee lands in the Turner Albright Property located in Oregon, U.S.A. See note 16(a).

(d) Island Mountain Property

The Company owns a 100% undivided interest in the Island Mountain property located in California, U.S.A. Upon the property being put into production, the Company is required to remit to the vendors 28,000 American Chromium Limited Class "A" voting common shares and 28,000 American Chromium Limited Class "B" non-voting shares.

(e) Kemco Joint Venture

The Company has a 5% net proceeds interest in certain Nevada mining claims known as the Gilbert properties.

(f) Coal Lease

The Company has an option to earn a 100% interest in a coal mining lease, by 29 December 1989, on 640 acres in Carbon County, Wyoming subject to paying:

- i) Advance minimum royalties of \$25,000 U.S. per year; and
 - The Company can recapture all payments made under this section from 25% of the production royalties payable.
- ii) A 2% overriding gross royalty on all coal mined and sold from the property.

(g) Silver Hill

The Company has an option giving them the exclusive right to explore, develop and mine the Silver Hill group of 42 unpatented lode mining claims in the Gilbert Mining District, Esmeralda County, Nevada, with a maximum term of 50 years, subject to placing the properties into commercial production by 15 December 1996 and paving:

- i) Advance minimum royalties of \$25,000 per year; and
- ii) A royalty on production equal to 5% of net smelter returns. The Company can recapture all advance royalties from 25% of the production royalties payable. See Note 16(b).

(h) Hill 6968

The Company has an option from an affiliated company, American Chromium Limited, expiring 31 March 1990, to earn a 50% interest in a mining lease on the Hill 6968 prospect in the Gilbert Mining District of Esmeralda County, Nevada by performing exploration work on the lease. For each \$10,000 U.S. of expenditures the Company will earn 1% interest to a maximum of 50%. As at 30 June 1989 no work had been done. See Note 16(b).



30 JUNE 1989

7. MINERAL PROPERTIES AND DEFERRED COSTS - (CONTINUED)

(i) Santa Rosa

The Company has a 100% interest in certain mining claims known as the Santa Rosa Mine, Inyo County, California. In order to maintain this interest the Company must make the following payments:

- advance royalty payments of \$25,000 U.S. per year recoverable as to 35% of production payments paid.
- ii) production royalty payments of 7% of net smelter returns.

If the property is not in sustained commercial production by 9 July 1994, the leaseholders have the option to terminate this lease.

(j) Black Mammoth

The Company has acquired an assignment of a 5% of Net Profits Interest and a 1% of net smelter returns interest in certain unpatented lode mining claims known as the Black Mammoth, Lu Lam and GLB claims in the Gilbert Mining District, Esmeralda County, Nevada, subject to the property being placed in commercial production by 8 September 1999.

(k) Snowbird Lake

The Company entered an agreement in 1988 (amended 1989) to earn a 60% interest in a property in the Snowbird Lake Area, N.W.T. subject to payment to the vendors \$40,000 for geological and geophysical data on or before 31 July 1989 and expenditures for exploration as follows:

Cumulative exploration expenditures	On or before	Cumulative % Interest earned
\$ 270,000 550,000 700.000	31 July 1989 15 June 1990 15 June 1991 and	14.35 35.0
1,100,000	15 June 1992	60.0

8. BANK INDEBTEDNESS

	<u>1989</u>	<u>1988</u>
Bank loan plus accrued interest	<u>\$160,365</u>	\$42,809

As collateral the bank has been given an assignment of 870,000 Class A shares of American Chromium Limited, an assignment from a director of 1,500,000 shares of Northcor Energy Ltd., and a guarantee and postponement of claim of \$92,500 from each of American Chromium Limited and a director.

9. NOTES PAYABLE AND ACCRUED INTEREST

Notes payable and accrued interest consist of:	1909	1300
Note payable to a director, (Note 9(a)) Note payable, (Note 9(b)) Note payable to Encee Group Ltd., (Note 9(c)) Note payable to United Bank of Commerce, (Note 9(d))	\$ 372,797 49,321 475,152 <u>271,571</u>	\$ 323,716 42,463 490,374 198,261
	\$1,168,841	\$1,054,814

- (a) The note payable bears interest at prime plus 2%, repayable on demand and is secured by 150,000 shares of American Chromium Limited, a put and call agreement with the Company for 100,000 shares and the personal guarantee of a director. See note 16(f).
- (b) The note payable bears interest at 18% per annum and is secured by fixed assets.
- (c) The note payable is due on demand and is secured by 606,000 Class A common shares of Northcor Energy Ltd. Interest is payable at 1% per month.
- (d) The note payable is due on demand and is secured by all of the outstanding shares of the related company, Turner Albright Holding Inc. Interest is payable at 15% per annum. See note 14(c).

30 JUNE 1988

10. NOTE TO AFFILIATED COMPANY

1989 1988 \$158,360 \$1,026,101

American Chromium Limited
The amount is unsecured, non-interest bearing and due on demand.

11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares, first preferred shares and second preferred shares.

b) issued

Common Shares	<u>Shares</u>	Amount
Issued and outstanding 30 June 1988 Issued for cash	19,379,745 3,200,000	\$18,052,426 1,208,000
Issued on exercise of warrants Issued pursuant to employee stock options	1,150,000 5,000	300,000 2,500
Total issued and outstanding	23,734,745	19,562,926
Less shares held by subsidiary company	1,050,000	275,000
Consolidated issued and outstanding at 30 June 1989	22,684,745	\$19,287,926

(c) Employee Incentive Stock Option Plan

The Company has an Employee Incentive Stock Option Plan whereby the directors may grant the right to employees to purchase shares of the Company. The total number of shares optioned according to the plan may not exceed 400,000. The option price per share may not be less than the fair market value less an appropriate discount on the stock price on the day the option is granted.

(d) Warrants and Options

As at 30 June 1989 the following remained outstanding:

- i) pursuant to the Employee Incentive Stock Option Plan there remained outstanding options to purchase 240,000 shares at \$.50 per share expiring 31 October 1990 and 10,000 shares at \$.30 per share expiring 1 September 1992. See note 16(e).
- ii) there remains outstanding a non-transferable warrant entitling Courageous Exploration Inc. to purchase 550,000 common shares at \$.30 per share expiring 30 August 1990.
- iii) pursuant to the issue of common shares, there remains outstanding a non-transferable warrant entitling a major shareholder to purchase 1,800,000 common shares at \$0.65 per share expiring 15 June 1991.

12. INCOME TAXES

Under Canadian Income Tax Law, development and exploration expenditures are subject to certain restrictions in deductibility. The Company has total expenditures of approximately \$130,000 available at 30 June 1989 to be carried forward to reduce future taxable income.

The Company has net capital losses of approximately \$1,349,000 and non-capital losses of \$704,000 which may be carried forward to reduce future taxable income. The right to claim the non-capital losses expires \$145,000 in 1990, \$37,000 in 1991, \$25,000 in 1992, \$101,000 in 1993 and \$396,000 in 1994.

The subsidiary, Courageous Exploration Inc., has development and exploration expenditures, subject to certain restrictions in deductibility, of \$3,620,000 available at 30 June 1989 to be carried forward to reduce its future taxable income. Approximately \$1,520,000 of these expenditures are successor costs which may only be deductible from income attributable to certain resource properties.

The subsidiary, Baretta Mining, Inc. has losses of approximately U.S. \$3,970,000 which may be carried forward to reduce its future Federal taxable income. The right to claim these losses expires U.S. \$1,380,000 in 1996 U.S. \$580,000 in 1997, U.S. \$1,080,000 in 1998, U.S. \$550,000 in 1999, U.S. \$50,000 in 2000, U.S. \$40,000 in 2001, U.S. \$100,000 in 2002, U.S. \$85,000 in 2003 and U.S. \$105,000 in 2004.

The subsidiary, Investors Equity Inc. has losses of approximately U.S. \$116,000 which may be carried forward to reduce its future Federal taxable income. The right to claim these losses expires U.S. \$11,000 in 1995, U.S. \$10,000 in 1997, U.S. \$6,000 in 1999, U.S. \$4,000 in 2000, U.S. \$7,000 in 2001, U.S. \$38,000 in 2002, U.S. \$19,000 in 2003 and U.S. \$21,000 in 2004.



30 JUNE 1989

13. RELATED PARTY TRANSACTIONS

- (a) Management fees of 72,000 (1988 \$60,000) were paid to a corporation controlled by a director of the company.
- (b) The Company charged related companies \$61,200 (1988 \$84,000) in respect of management fees and overhead charges.
- (c) The Company issued 300,000 common shares to American Chromium Limited at \$.35 per share.
- (d) The Company issued 800,000 common shares at \$0.25 per share and 250,000 common shares at \$0.30 per share to Courageous Exploration Inc.

13. CONTINGENT LIABILITIES

- (a) The Company has a contingent liability to deliver shares of a related company in respect of the Island Mountain property as more fully described in note 7(d).
- (b) The Company has guaranteed certain bank loans of American Chromium Limited up to a maximum of \$600,000. As at 30 June 1989 the loans outstanding amounted to \$655,000. The loans are secured by an assignment of 1,757,715 shares of Courageous Exploration Inc., a general assignment of book debts, a fixed charge on mining properties and a floating charge over all other assets of the Company.
- (c) As part of the arrangement to obtain financing as described in Note 9(d), the Bank borrowed the money from a third party. The Company has guaranteed the loan from the third party to the Bank.

15. COMMITMENT

The Company has assigned the option payment that may be received from Bow Valley Industries Ltd. (see note 7(a)) to the Royal Bank of Canada in payment of the debt of American Chromium Limited.

16. SUBSEQUENT EVENTS

Subsequent to year-end the Company, T.A. Investment, Inc. and American Chromium Limited entered into an agreement with Aur Resources Inc. (Aur) whereby Aur can earn a 51% undivided interest in the Turner Albright property (note 7(c)). As at 30 June 1989 the interest in the Turner Albright claim is held 75% by the Company and 25% by the affiliated company, T.A. Investment, Inc.

Aur can earn the interest by fulfilling the following obligations:

- i) purchase of 300,000 shares of Savanna Resources Ltd. at \$0.50 per share from a major shareholder of Savanna.
- purchase of 1,000,000 shares of Savanna Resources Ltd. at \$0.65 per share pursuant to an option granted by Savanna expiring 31 December 1989.
- iii) complete exploration and development expenditure on the property as follows:

On or before	Amount
31 December 1989	\$ 300,000
31 December 1990	\$1,925,000

30 JUNE 1989

16. SUBSEQUENT EVENTS - (CONTINUED)

- (b) Subsequent to year-end the Company and American Chromium Limited entered into an agreement with Hol-Lac Gold Mines Limited (Hol-Lac) whereby Hol-Lac can earn an undivided 70% interest in the Silver Hill Lease and the Hill 6968 Lease by fulfilling the following obligations:
 - i) payment of \$50,000 by 30 September 1989 to the Company
 - ii) exploration and development expenditures as follows:

On or before	Amount
30 August 1990 30 August 1991 30 August 1992 30 August 1993	\$ 75,000 \$125,000 \$250,000 \$250,000

- iii) assumption of the Company's and American Chromium Limited's annual advance royalty commitments of \$25,000 U.S. each regarding the Silver Hill and Hill 6968 Leases.
- (d) Subsequent to year-end the directors of the Company offered to certain shareholders of the related company, American Chromium Limited (Chromium) two common shares of the Company in exchange for every five shares of Chromium. The Company subsequently issued 4,000,000 common shares in exchange for 10,000,000 shares of Chromium. After this transaction the Company owns 80% of the outstanding Class "A" voting common shares of Chromium.

Subject to the approval of the Alberta Stock Exchange the Company intends to extend this offer to all remaining shareholders of American Chromium Limited.

- (e) Subsequent to the year-end the Company also issued 162,500 shares pursuant to the Employee Incentive Stock Option Plan.
- (f) Subsequent to the year-end a creditor of the Company has agreed to purchase 150,000 common shares at \$0.80 per share and a non-transferable warrant for an additional 150,000 common shares at \$1.00 per share expiring 31 August 1990.

17. SEGMENTED INFORMATION

Financial information segmented according to geographical areas is:

	<u>1989</u> <u>Canada</u>	United States	Adjustments on Consolidation	Consolidated
Income (loss) for the year	\$(1,592,059)	\$ (68,779)	\$ (53,902)	\$(1,714,740)
Identifiable assets Corporate assets Total assets	2,572,757	9,211,871	1,049,097	\$12,833,725 858,560
Total assets	1988		Adjustmente en	\$ <u>13,692,285</u>
	Canada	United States	Adjustments on Consolidation	Consolidated
Income (loss) for the year	\$ 513,051	\$ (7,479)	\$ (772,993)	\$ (267,421)
ldentifiable assets Corporate assets	2,385,897	8,992,029	1,017,693	\$12,395,619 _2,362,100
Total assets				\$ <u>14,757,719</u>



CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS FOR THE YEAR ENDED 30 JUNE 1989

	Opening	Expenditures	Disposal	Closing
CANADA				
North West Territories				
Courageous Lake Acquisition Exploration Pine Point	\$ 967,804 160,150	\$ -	\$ (74,854) (4,289)	\$ 892,950 155,861
Pine Point Exploration	423,600		(4,209)	423,600
Snowbird Lake Acquisition	420,000	267,612		267,612
roquisition	1,551,554	267,612	(79,149)	1,740,023
Delete Control la	7,001,001			1,110,020
British Columbia Silver Basin	040,000			040.000
Acquisition Exploration	616,208 96,551	26	-	616,208 96,577
	712,759	26	-	712,785
TGTAL CANADA	2,264,313	267,638	(79,143)	2,452,808
				100
UNITED STATES				
Oregon Turner Albright				
Acquisition Exploration	6,572,086 1,343,842	42 57,186	= \	6,572,128 1,401,028
	7,915,928	57,228		7,973,156
California Island Mountain				
Acquisition Exploration	1,016,464 21,678	=	= -	1,016,464 21,678
Santa Rosa	21,070			21,070
Acquisition Exploration	236,349 4,578	30,070 7,477		266,419 12,055
Exploration				
	1,279,069	37,547		1,316,616
Nevada				
Kemco Joint Venture Acquisition Exploration	328,855 24,731	31,216	-	360,071 24,731
Silver Hill Acquisition	129,033	71,400		200,433
Black Mammoth Acquisition	150,000	71,400		150,000
Acquisition	\	400.040		
	632,619	102,616		735,235
Wyoming				
Coal Lease Acquisition	139,600	71,400	-	211,000
TOTAL UNITED STATES	9,967,216	268,791		10,236,007
TOTAL	\$ 12,231,529	\$ 536,429	\$ (79,143)	\$12,688,815

CORPORATE DIRECTORY

Officers and Directors

John M. Alston, Calgary, Alberta President and Director Jan M. Alston, Calgary, Alberta Secretary-Treasurer and Director Ross P. Alger, Calgary, Alberta Director Thomas W. Whittingham, Invermere, B.C. Director

Head Office

Suite 810, 540 - 5th Avenue S.W. Calgary, Alberta T2P 0M2

Telephone: (403)269-5369 Telecopier: (403)261-2866

SHAREHOLDER INFORMATION

Transfer Agent

Central Guaranty Trust Company 370, 401 - 9th Avenue S.W. Calgary, Alberta T2P 3C5

Auditors

Dunwoody & Company 3rd Floor, 1015 4th Street S.W. Calgary, Alberta T2R 1J4

Bankers

Royal Bank of Canada 339 8th Avenue S.W. Calgary, Alberta T2P 2N4

Solicitors

Fenerty, Robertson Fraser & Hatch 2900, 700 9th Avenue S.W. Calgary, Alberta T2P 4A7

